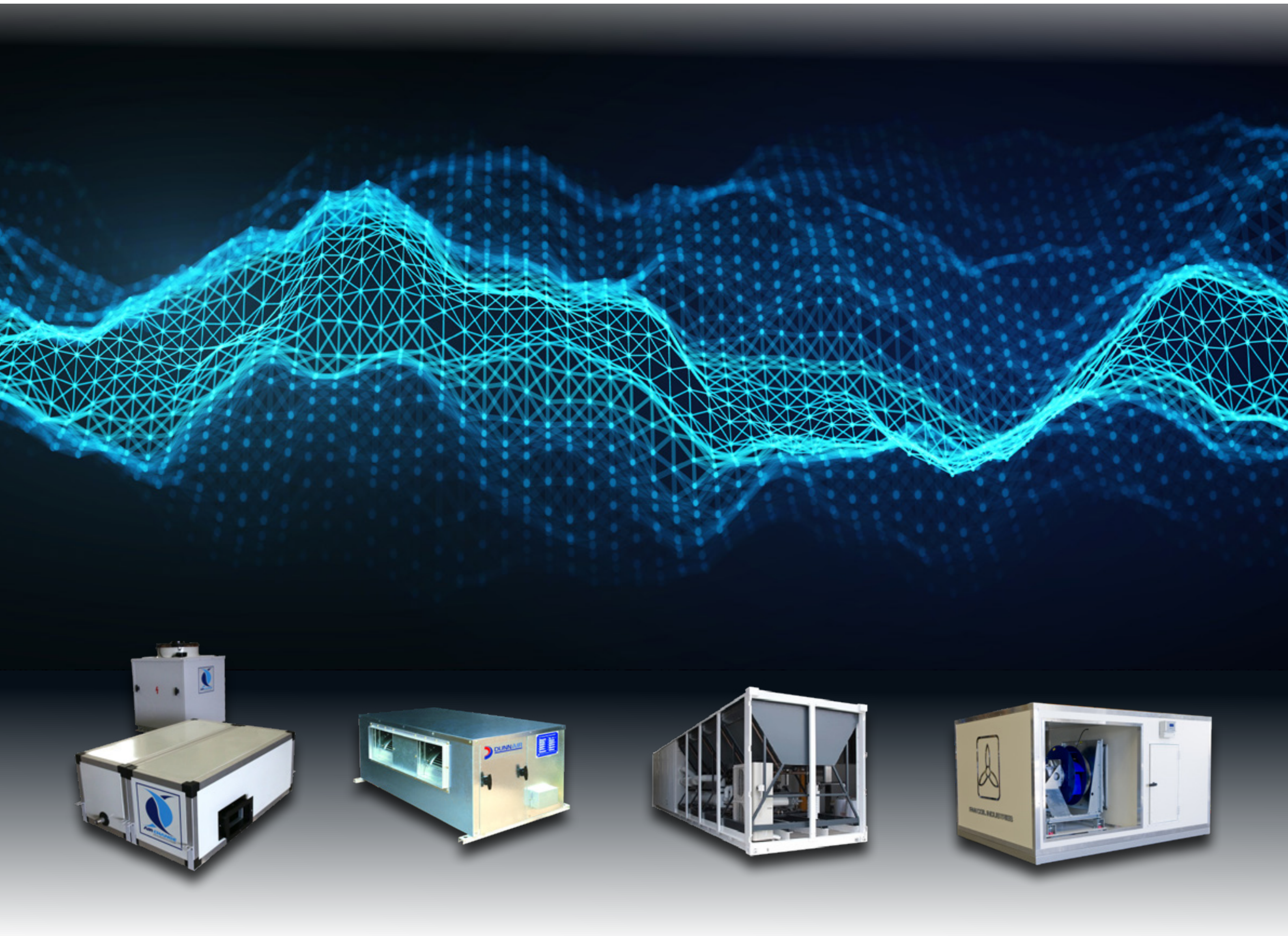


2021
Annual Report

Air Change International Limited

ACN: 087 737 068

Content

Corporate Directory

Directors:	Alan S Jones (Non-executive Chairman) Peter A Curry (Non-executive Director) Neil R Fimeri (Managing Director)
Secretary:	Robert Lees
Principal & Registered Office:	2 Ashford Avenue Milperra NSW 2214 Tel: (02) 8774 1400 Fax: (02) 9792 2740 e-mail: invest@airchange.com.au Web site: www.airchange.com.au
Share Registrar:	Computershare Investor Services Pty Ltd Level 3, 60 Carrington Street Sydney NSW 1115
Auditors:	BDO Audit Pty Ltd ("BDO") Level 11, 1 Margaret Street Sydney NSW 2000
Bankers:	ANZ Level 4, 20 Smith Street Parramatta NSW 2150
Solicitors:	Addisons Lawyers 60 Carrington Street Sydney NSW 2000
Stock Exchange Listing:	Air Change International Ltd shares are listed on the National Stock Exchange of Australia Limited (Code: ordinary shares "AC1")
Company Number:	ACN 087 737 068 ABN 14 087 737 068

Your directors present the Air Change International Limited ("Company" or "Group") annual report for the financial year ended 30 June 2021.

Group product sales grew by 6% from $19.9 million in 2020 to $21.1 million this last year but operating profit fell from $772k to $88k primarily because of significant material and component cost increases that were unable to be recovered.

Quotes are provided to customers up to 18 months before orders are received with typical lead times of between 3 and 6 months between quote and order. Despite the quote validity of 45 days, there is an obligation to hold pricing wherever possible as the customer has similarly promised fixed prices to his client. To maintain customer relationships and protect future sales, quotes are generally honoured unless there is a significant reason to change the quoted price.

After income tax expense of $20k and foreign currency gains on offshore investments at year end of $89k, the reported profit for the year was $157k.

1.0 The Covid 19 Impact

1.1 Operational Impact to date

The Covid 19 pandemic has again impacted Group operations and profitability as detailed below.

(i) <u>Australian Operations</u>

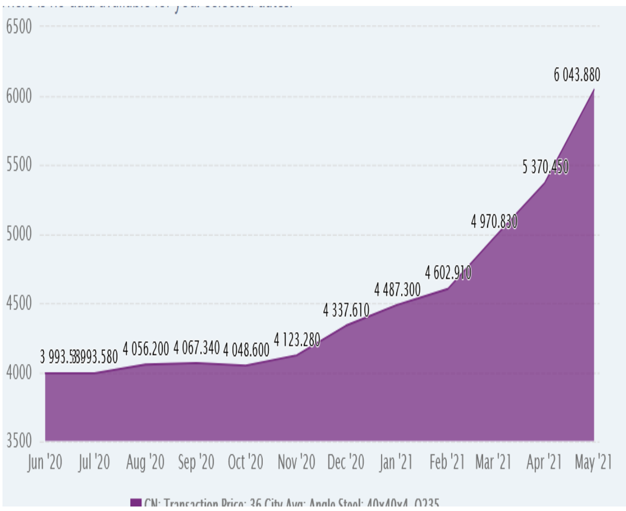
In 2020/21, the Covid 19 virus has primarily had an indirect impact on the Group's Australian operations.

The factory in Sydney remained open, not restricted by Government orders or controls, so no production capacity was lost in Australia as a direct result of the pandemic.
Sales in all states except Victoria increased during the year, with the fall in Victorian sales attributed to the long lockdowns in that state.
Australian operations have been affected indirectly by the pandemic in two significant ways, firstly by the significant increase in commodity prices which has led to an increase in part and component prices and secondly by the shipping disruptions in the supply chain.
These two occurrences, caused indirectly by the pandemic, have been the major contributor to the fall in Company profitability.

The biggest material price impact has been the almost doubling in the price of copper.
Copper is a key raw material in many components used by the Group including heat exchange coils, piping, compressor and fan motors, wiring and controls.
It has risen in price from US$2.75 / lb at the beginning of the financial year to a high of US$4.50 /lb at year end.
The average copper price for 2019/20 was US$2.50 / lb but US$ 3.60 /lb in 2020/21.
The chart below shows the past year pricing.

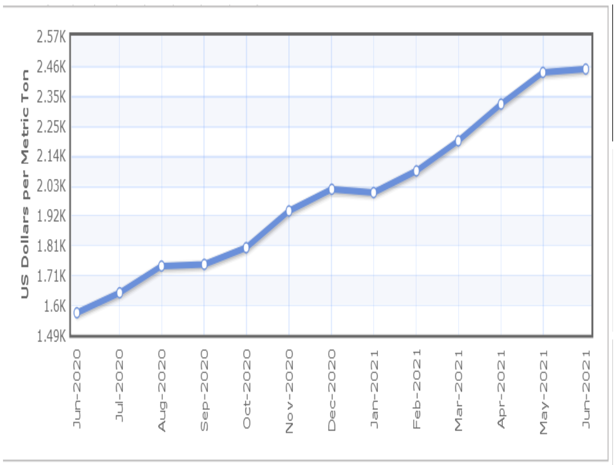
Copper Price Chart

Steel, another key commodity used by the Group, has also risen in price during the year.
As most steel is sourced from China, the effect of the rise from CNY 4000 to CNY 6000 / tonne has impacted the cost of manufacture.



Steel Price Chart

The price of aluminium has also increased by nearly 50% over the past year.
The aluminium price increase has had a lesser impact on Group costs as our consumption levels of this material are much lower than both copper and steel.



Aluminium Price Chart

Besides the increase in commodity prices, the other major contributor to the increase in manufacturing costs has been the significant rise in container freight rates over the year.

The 2019/20 annual report referred to the increase in container costs of 40% by that year end. This trend has continued this year.

At their highest point, container shipping rates from China and South East Asia were over 500% of the average cost in 2019/20. This has been attributed to the effects of the pandemic on world freight movements in the USA.

At year end, container rates had fallen by approximately 20% from their peak but there is evidence that they may be rising again.

The congestion at Sydney Ports in late 2020 led to freight cost increases.
To expedite component supply, it has been necessary to rout containers through the Port of Melbourne and then road freight them to Sydney in order to maintain production.
This had a significant cost impact over a three month period in late 2020 and 2021.

Air freight, although not the major form of international transport used by the Company, is sourced for urgent part deliveries.
Air freight rates remain high at 3 to 5 times their pre-pandemic level.

As a result of these increased freight rates, Group inbound freight costs for the year were $956k, up from $553k in 2019/20, a $403k or 73% increase when sales have only grown by 6%.

The impact of both commodity and freight price increases has been to increase product manufacturing costs which were not recoverable in the product sales price.

In addition to the slow shipping movements, the supply chain has also been disrupted by major delays in the manufacture of parts and components. Part and component manufacturers have been negatively impacted by component part and labour shortages.

Without all the required parts, production employees move between different product units depending on part availability which negatively impacts overall labour productivity and delays delivery.

By year end, container movements out of China have almost normalised, albeit at a much higher cost, but containers are being delayed by up to 3 weeks when shipped out of South East Asia.

Part manufacturers are still suffering production delays due to component shortages and labour movement restrictions in their home countries which will continue to negatively affect production.

(ii) South East Asian Operations

The Group's Malaysian factory was again closed several times during the year for a total duration of 4 weeks by the Malaysian Government's movement control restrictions.
In addition to the total lockdowns, the Government has also applied restrictions on staff numbers when the factory is permitted to operate with production workers restricted to 60% and office staff to 33% of employee numbers. These restrictions have reduced capacity from the Malaysian factory.

This reduced production capacity has impacted Group product deliveries in both Australia and South East Asia.

The Malaysian Government continues to mandate that all employees be paid during the shutdown and, although it has given some minimal wage support, the cost recovery is less than 10% of the costs incurred.
There is no rent relief or rent deferment program in Malaysia.

Part and component supplies have been negatively impacted more in Malaysia than in Australia.
This has occurred because many of the component and part suppliers are located in the state of Selangor which has been subject to longer and harsher shutdowns than the Air Change factory which is in the state of Johor.

The pandemic continues to slow construction activity in Singapore, Thailand and Malaysia which has affected sales in these three markets.

For example, dehumidification units supplied as a first instalment on a large project in Thailand have been successfully installed and commissioned early in the year.
These initial units were to be followed by further installations in more Thai Tesco store upgrades but the project has been halted because of the pandemic. A new roll out program has yet to be confirmed.

Similarly, many Singapore projects remain stalled or are progressing slowly because of the pandemic. Sales in the region this past year were up from the previous year but still disappointing given the enquiry and quoting levels on projects that remain suspended.

1.2 Government Assistance

As Group revenue did not decrease, and all employees remained fully employed during the year, the Company did not qualify for the Australian Governments Job Keeper payment supplement program when it was in operation.

The Group did receive the final instalment of the Australian Government's cashflow boost program and minor cash payment from the Malaysian Government to partly offset the costs resulting from the Malaysian lockdowns.

1.3 Liquidity and Cashflow

Cashflow has been negatively impacted by increased manufacturing costs and thus reduced profitability, but the Group still managed to generate $1,089k from operations and finish the year with $224k more cash funds than it started after capital expenditure and other expenses.

This is partly attributable to the fact that the income result included depreciation / amortisation (excluding depreciation on right of use assets) and unrealised foreign currency loss expenses of approximately $500k.

Group cashflow is particularly impacted when container delays occur after goods have been manufactured, packed and paid for but are delayed in port awaiting shipment or receipt.

Debtor collection during the year has been similar to pre-pandemic levels.

The Group has not breached any debt funding or other financial covenant or legal obligation and has not been advised of any major change to its terms of trade with its suppliers.
No more onerous terms of trade have been placed on Group customers than has been previous practice.

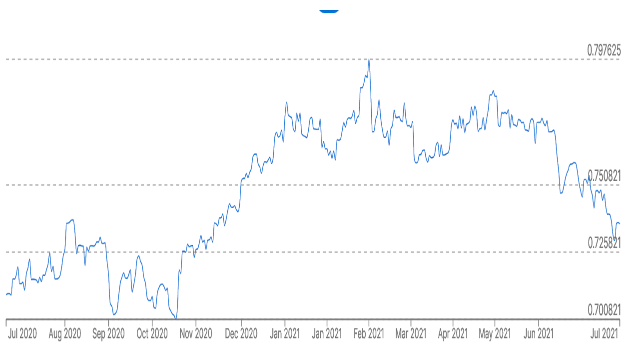
Credit requests are rigorously scrutinized given the impact of the pandemic on some of the Company's customers.

In FY 2020/21, there has been no deferment or change to the salaries or remuneration arrangements of any employee or service provider.

The Group has not disposed of any asset to raise cash to mitigate the impact of the pandemic on its operations.

1.4 A$ Value Impact

The Australian dollar has traded in the range of US0.70 to US$ 0.79 during this past financial year. This has not had the same negative impact that the large fall in the A$ relative to the US$ did in 2019/20 but this volatility makes product pricing difficult.



A$ to US$

1.5 Likely Future Impact

At the time of finishing this report, the entire state of New South Wales is in lockdown with Melbourne also subject to restrictions.

In mid August 2021, the Group has approximately 20% of its office staff on reduced working hours with 60% of office staff working from home either full time or on restricted hours depending on their function.

Movement restrictions on employees has caused an estimated 20 -30% loss of manufacturing capacity.

All construction work in the Greater Sydney area was halted for the two week period ending on July 31, 2021 with limited site work after this date. This has impacted deliveries and therefore sales in July 2021.

The restrictions imposed to bring the Delta variant under control in NSW and Victoria will negatively impact sales and manufacture in the 2021/22 financial year, the full extent being presently unknown.

Deliveries to the other states have not yet been affected by the pandemic to the same extent as Greater Sydney and Melbourne.

2.0 An Overview of The Past Year

The Group reported a disappointing profit before tax of $88,618 on increased operating revenue of $21.114 million for the 2020/21 financial year.

This 6% increase from $19.9 million in 2020 to $21.1 million in 2021 has resulted from a 9% growth in sales of Air Change dedicated outdoor air and dehumidification products which offset minor falls in other product categories of air handling and fan coil units, chillers and standard air conditioning systems.

Component and part input prices including freight have increased as a proportion of sales by over 5% this past year whereas labour costs as a percentage of sales remained static.

Depreciation and amortisation expense for the year was $395k (excluding depreciation of right of use assets). This will reduce significantly next year with several patents expiring.

Unrealised loss on foreign currency was $109k reflecting the fall in the Malaysian Ringgit against the Australian dollar during the year.
This is a misleading cost as a large proportion of the investment in Malaysia is in material and component stock that will be sold put into products for sale in Australia, not Malaysia.

3.0 Group Operational Review

Air Change International Limited, through its various subsidiary companies, is principally involved in the design and manufacture of products to provide:

- temperature and humidity control in commercial, institutional and industrial buildings; and
- industrial process cooling.

In addition to its standard product range, the Group designs and develops individual bespoke heating, cooling and dehumidification solutions to suit specific customer applications.

At present, all product research, design, engineering and administration is undertaken at the Group's head office and factory in Milperra, NSW, with most manufacturing of Air Change and Fancoil products carried out at either the Group's Milperra or Malaysian manufacturing facilities.

Dunnair and Summit branded products are designed, partially assembled, tested and modified in Milperra with major component assemblies sourced from overseas third-party OEM's.

The Group has its own sales and engineering support staff in New South Wales, Victoria, Queensland and Singapore with distributors in all other Australian states.
The Group has overseas representatives in New Zealand, Singapore, Malaysia, Indonesia and Thailand.

In this past year, Air Change Group products have been sold in Australia, New Zealand, Singapore, Indonesia and Thailand.

3.1 Air Change Division
Air Change pioneered the development and sale of Dedicated Outdoor Air Ventilation Systems (DOAS) in Australia and remain a major player in this segment of the HVAC market.

More recently, Air Change has researched and now manufactures dehumidification solutions for industrial and institutional applications.

Sales of this product range continue to grow in the Australian market because of changing air conditioning requirements with Asian markets always needing dehumidification solutions.

Sales of Air Change DOAS and dehumidification products in 2020/21 were up 13% over 2019/20.

Competition in the traditional heat and energy recovery ventilator segment remains strong which continues to depress margins in this market segment.

The Company has developed a small split make up air unit to control humidity and temperature for small quantity ventilation air supply.
Sales of these units commenced in 2019/20 and grew further this past year.
Changing climate conditions has increased demand for bespoke solutions for complex heating, cooling and dehumidification problems.

3.2 Fan Coil Industries
The Group's Fan Coil Industries division designs, manufactures and sells fan coil and air handling units. Large bespoke AHUs are produced in Australia with smaller FCUs being increasingly sourced from overseas.

Over the past year, FCI recorded a further small sales decline over the previous year but gross profit margin remained the same.
Competition in this market segment continues to increase as the number of importers bringing fan coil and ahu products into Australia rises.

As Group manufacturing capacity is limited, these lower margin ahu and fcu sales are not prioritised. Despite lower sales this past year, this division continues to make a positive contribution to the Group result.

3.3 Summit Industrial Chillers
Process and industrial cooling sales at approximately $425k were marginally lower than that recorded in 2019/20.

Again, this is a niche operation for the supply of specialised industrial cooling systems not generally available from imported sources in Australia.

Sales volumes vary significantly year on year.
Orders received over the past 4 months will mean that chiller sales will rise significantly and be closer to $2 million in 2021/22.
This division offers strategic advantages in the research and development of direct exchange air conditioning products and controls technology

Despite the extreme variability in annual sales, the chiller operation has again made a positive contribution to the Group, which it has done in every year since its acquisition.
Spare part sales are a consistent source of income and earnings.

3.4 Dunnair Division
Dunnair manufacture and sell air and water cooled packaged air conditioning products which are designed and specified in Australia.

The units are then either fully or partly manufactured overseas and sent to Sydney for completion and factory acceptance testing before dispatch. All control programming is completed and installed in the Milperra factory.

Sales were down marginally from the 2019/20 year because similar products were sold through the Air Change division.
Dunnair operations made a positive contribution to the Group during this last year.

3.5 South East Asia
The Singapore distributor appointed in 2019 has sourced many opportunities but these projects remain stalled because of the pandemic.
When the pandemic recedes, enquiry volumes would indicate that regional sales will increase.

3.6 Manufacturing Operations
Manufacturing is carried out in the Group's factories in Milperra, NSW and Malaysia.
Product is sourced from each factory based on capacity and capability.

As previously reported, both skilled and non-skilled manufacturing labour has been difficult to source in both Australia and Malaysia.
Refrigeration mechanics are difficult to recruit preferring to work in the service sector rather than the manufacturing sector.
This shortage of skilled labour is expected to deteriorate as the economy improves post pandemic.

3.7 Acquisitions
There were no acquisitions contemplated or completed during the year.

4.0 Research & Development
Research and product development ("R&D") continued over this past year, again at a slower pace than the year before.
Research emphasis continued to be focused on energy efficient, close control space temperature and humidity systems and a new focus on pillow plate technology for use in mining application chillers.
Stainless steel pillow plates exhibit much higher corrosion resistance than traditional shell and tube chiller evaporators making them a superior choice for mining regions with poor water quality.

Group turnover now exceeds $20 million which means that the Company can no longer claim R&D Government cash incentives, instead receiving only increased income tax benefits in respect of the R&D funds expended.

The Group's R&D program will continue to decline unless new focus areas are identified.

5.0 Future Strategy & Outlook
With the impact of the pandemic lockdown in New South Wales and Victoria, it is difficult to predict or plan for any major change in strategy or direction during the coming year.

Cashflow will be negatively impacted by delivery delays in these two important markets.
Increased chiller sales to Western Australia and Queensland will help in the near term.

It is hoped that the NSW and Victorian economies will rebound in the near term and lead to increased sales in these important markets.

If South East Asian sales pick up as expected post pandemic, then this may substitute for a loss in production and sales in the Australian market.

Neil Fimeri
Managing Director

Your directors present their report on the Air Change International Limited ("ACI" or "the Group"), consisting of Air Change International Limited ("the Company" or "parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors and officers

The following persons were directors of the Company during the financial year and up to the date of this report:

Alan Stephen Jones (Non-Executive Non- Independent Chairman)
Peter Anthony Curry (Non-Executive Independent Director)
Raymond Neil Fimeri (Managing Director)

Principal activities

During the year, the principal activity of the Group consisted of the design, manufacture and sales of heating, cooling and ventilation equipment for industrial, commercial and institutional buildings and processes.

Review of operations

Refer to the Managing Director's Report on pages 2 – 7 herein. A summary of consolidated revenues and results by significant business segments is set out below:

	2021	2020
	$	$
Heating, cooling, & ventilation equipment	21,114,210	19,951,537
Profit before income tax benefit/ (expense)	88,618	772,645
Profit after income tax benefit/ (expense)	68,259	797,546
Net profit attributable to members of ACI Limited	**68,259**	**797,546**

Dividends

The directors do not recommend the payment of a dividend at this time and no dividend has been paid or declared during the financial year.

Significant Changes in the State of Affairs

During the year there were no significant changes in the Group's state of affairs.

Likely developments and expected results of operations

Likely developments or matters that may affect the Group or its operations are included in the Managing Director's report.

Disclosure of matters that are commercial in confidence or may prejudice the Group are not included.

Significant events after the reporting period

No matter or circumstance than otherwise disclosed in this report has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years
(b) the results of those operations in future financial years
(c) the Group's state of affairs in future financial years.

DIRECTORS' INTERESTS

INFORMATION ON DIRECTORS

			Particulars of directors' interests at date of this report
Director	**Experience**	**Special responsibilities**	**Securities held**
Alan S Jones	Mr Jones was appointed as a Non-Executive Director and Chairman of Air Change International Limited on 23 July 2007. Mr Jones is a chartered accountant with extensive senior management and board experience in listed and unlisted Australian public companies, particularly in the construction, engineering, finance and investment industries. Mr Jones has been involved in the successful merger and acquisition of a number of public companies in Australia and internationally. He is a Non-Executive Director of Mulpha Australia Limited, Sun Hung Kai & Co. Limited (Hong Kong), Allied Group Limited (Hong Kong) and Mount Gibson Iron Limited.	Non-executive non-independent Chairman	938,000 ordinary shares
Peter A Curry – B Com LLB	Mr Curry was appointed as a Non-Executive Director of Air Change International Limited on 3 October 2019. Mr. Curry has extensive of professional and business experience in a range of industries including natural resources, property and financial services. He has acted as a director of a number of private and public companies and has been involved in a range of public and private capital raisings, mergers and acquisitions as well as providing corporate and financial advisory services in relation to a variety of business transactions. Mr Curry (B Com LLB) holds Bachelor of Commerce and Bachelor of Laws degrees from the University of NSW. He is a Chartered Accountant and was admitted as a non-practising barrister to the Supreme Court of NSW. Mr Curry is a Non-Executive Director of Sun Hung Kai & Co. Limited (Hong Kong) and Tian An Australia Limited.	Non-executive independent Director	Nil
Neil Fimeri	Mr Fimeri has a degree in civil engineering. From 1985 to 2007, Mr Fimeri held a senior management position at Mulpha Australia Limited, a property investment and development company, leading the acquisition and development of over one billion dollars of real estate projects. Mr Fimeri's expertise lies in the identification and acquisition of strategic investment opportunities with an engineering bias.	Managing Director	4,800,000 ordinary shares

DIRECTORS' INTERESTS

INFORMATION ON DIRECTORS (continued)

			Particulars of directors' interests at date of this report
Director	**Experience**	**Special responsibilities**	**Securities held**
Robert Lees	Robert Lees is the Company secretary for a number of ASX listed entities and public companies. He has also served as Chief Financial Officer ("CFO") and as a public company director. He is a Chartered Accountant and a Fellow of the Governance Institute of Australia. He holds a Bachelor of Business (Accounting) and a Graduate Diploma in Data Processing from UTS as well as a Graduate Diploma in Applied Corporate Governance from GIA. He provides Company Secretarial and CFO services to small listed public companies and has done so since 2000.	Company Secretary	Nil

Directors' Benefits

With the exception of the matters referred to below, no director in the Group has, since the end of the financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors as shown in the financial statements) by reason of a contract made by the Company or related body corporate with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial financial interest.

Meetings of Directors

There were four directors' meetings (2020: four) and two Audit, Finance, Risk and Compliance Committee meetings (2020: two) and nil Remuneration Committee meeting (2020: nil) held during the year ended 30 June 2021.

The number of directors' meetings and audit committee meetings held in the period each director held office during the year and the numbers of meetings attended by each director were:

	Meetings					
	Directors		Audit, Finance, Risk and Compliance Committee		Remuneration Committee	
	Number held	Number attended	Number held	Number attended	Number held	Number attended
Alan S Jones	4	4	2	2	-	-
Peter A Curry	4	4	2	2	-	-
Neil Fimeri	4	4	*	*	*	*

* Not a member of the relevant committee

Indemnification and Insurance of Officers and Auditors

During the financial year Air Change International Limited paid a premium to insure the Directors, Secretary and senior managers of the Company. Directors' and Officers' Liability Insurance cover has been placed from 6 April 2005. The Directors' and Officers' Insurance expires on 30 November 2021.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave to the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ BDO ("the auditor") on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in Note 20 to the accounts.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Finance, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards (APES) 110 *Code of Ethics for Professional Accountants*.

Shares under option

There were no options issued during the year ended 30 June 2021 (2020: Nil).

Shares Issued on the Exercise of Options

No options or shares were issued to key management personnel for whole or part of the financial year ended 30 June 2021 (2020: Nil).

Remuneration report - Audited

The Remuneration Committee comprising members of the Board makes recommendations and approves:

- Non-executive director fees
- Remuneration of executive directors and other executives

Members of the Remuneration Committee at 30 June 2021 are Alan Jones (Non-executive chairman) and Peter A Curry (Independent director).

The objective is to ensure the remuneration and reward practices are fair and competitive.

Non-executive remuneration

Fees and payments to directors reflect the demands which are made on, and the responsibilities of, the directors. The current base fee of $30,000 per annum, payable quarterly, for each non-executive director remained the same as the prior year. The base fee is fixed and exclusive of superannuation. The Remuneration Committee determines remuneration of non-executive directors from time to time.

Executive and senior management remuneration

All Executives and Senior Management have rolling contracts. The Group may terminate the employment agreement by providing one month's written notice or providing payment in lieu of the notice period with the exception of the Executive Director who has a twelve month notice period and the Group General Manager who has a three month written notice period. The Group may terminate these contracts at any time without notice if serious misconduct has occurred. Similar notice periods are required from the Employees. Where termination with cause occurs, the Employee is only entitled to that portion of remuneration that is fixed and only up to the date of termination.

Details of remuneration

The key management personnel ("KMP") of ACI are the directors of the Group and Company. Details of the remuneration of each director of the Company and the consolidated entities are set out in the following tables:

Key management personnel of Air Change International Limited

2021	**Short term employee benefits**		**Post-employment**	**Long-term benefits**		
Name	**Cash salary and fees $**	**Cash bonus $**	**Superannuation $**	**Long service leave $**	**Termination benefits $**	**Total $**
Non-executive directors						
Alan S Jones – Chairman	30,000	-	2,850	-	-	32,850
Peter A Curry	30,000	-	2,850	-	-	32,850
Executive director						
Neil R Fimeri Managing Director	^392,513	-	25,000	6,328	-	423,841
Total KMP remuneration	**452,513**	**-**	**30,700**	**6,328**	**-**	**489,541**

2020	Short term employee benefits		Post-employment	Long-term benefits		
Name	Cash salary and fees $	Cash bonus $	Superannuation $	Long service leave $	Termination benefits $	Total $
Non-executive directors						
Alan S Jones – Chairman	30,000	-	2,850	-	-	32,850
John M Langley	5,500	-	522	-	-	6,022
Peter A Curry	22,500		2,138	-	-	24,638
Executive director						
Neil R Fimeri Managing Director	^393,982	-	25,000	6,328	-	425,310
Total KMP remuneration	**451,982**	**-**	**30,510**	**6,328**	**-**	**488,820**

^Includes annual leave accrued of $29,202

Equity instrument disclosures relating to key management personnel

(i) Option holdings

There were no options over ordinary shares in the Company held during the financial year by any director of Air Change International Limited and other key management personnel of the Group, including their personally related parties.

The numbers of unlisted options in the Company held at balance date by each director and executives of Air Change International Limited, including their personally-related entities, are nil.

(ii) Share holdings

The numbers of shares in the Company held at balance date by each director and executive of Air Change International Limited, including their personally-related entities, are set out below:

2021 Name of Directors of Air Change International Limited	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Alan S Jones	938,000	-	-	938,000
Neil Fimeri	4,800,000	-	-	4,800,000

Loans to directors/ key management personnel

No loans to directors have been made during the year ended 30 June 2021 (2020: Nil).

Material contracts with directors

The Company has not entered into any material contracts with Directors.

End of audited remuneration report

Corporate governance

Refer to pages 16 to 20 of this report for the Corporate Governance Statement.

Shares under option

At the date of this report, the unissued ordinary shares of Air Change International Limited under option are nil (2020: Nil).

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

Environmental regulation

The Company has reviewed all the significant environmental regulations which apply to it and has determined that it complies with the relevant codes and practices.

This report is made in accordance with a resolution of the directors.

Neil Fimeri
Managing Director

Sydney
7 September 2021

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Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY RYAN POLLETT TO THE DIRECTORS OF AIR CHANGE INTERNATIONAL LIMITED

As lead auditor of Air Change International Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Air Change International Limited and the entities it controlled during the period.

Ryan Pollett

Ryan Pollett
Director

BDO Australia Ltd

Sydney

7 September 2021

Corporate governance statement

The Board is committed to maintaining and achieving the highest standards of accountability and transparency and see the continued maintenance of a cohesive set of corporate governance policies as fundamental to the successful growth of the Group. As its base, the Board believes that corporate governance is about having a set of values and behaviours that underpin the group's everyday activities and protect the interests of stakeholders. The directors are responsible to the shareholders for the performance of the Company. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company and its controlled entities are properly managed.

In developing Air Change International Limited's corporate governance practices, the Board has been guided by Annexure 1 of Practice Note 14 promoted by the National Stock Exchange of Australia (NSX) and 'Corporate Governance Principles and Recommendations' published by the ASX Corporate Governance Council. This statement outlines the main corporate governance practices in place throughout the financial year.

A description of the Company's main corporate governance practices is set out below.

THE BOARD OF DIRECTORS

BOARD ROLE AND RESPONSIBILITY

The Board's primary role is the protection and enhancement of long-term shareholder value. It is also required to:

- review and approve corporate strategies and financial plans
- oversee and monitor organisational performance and the achievement of the Company's strategic goals and objectives
- monitor financial performance including approval of the annual and half-year financial reports and liaise with the Company's auditors
- appoint and assess the performance of the Managing Director and the members of the senior management team
- ensure there are effective management processes in place and approving major corporate initiatives
- enhance and protect the reputation of the organisation
- ensure significant risks facing the Company and its controlled entities have been identified, and appropriate adequate control monitoring and reporting mechanisms are in place
- report to shareholders

The Board has delegated responsibility for operation and administration of the Company to the Managing Director and senior management. Responsibilities are delineated by formal authority delegations. The performance of senior executives is reviewed annually by the Managing Director. The performance of the Managing Director is reviewed annually by the Chairman.

Board committees

To assist in the execution of its responsibilities, the Board has established an Audit, Finance, Risk and Compliance Committee (AFRCC) and a Remuneration Committee. The committees have a written mandate and operating procedures, which are reviewed on a regular basis. The Board does not have a Nominations Committee as this function is undertaken by the Board. The structure and membership of each committee is reviewed from time to time.

The Board has elected not to establish a Nominations Committee on the basis that it is only a relatively small board and is able to efficiently carry out the functions that would otherwise be delegated to the Nominations Committee.

Board Composition

The Board believes that its membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually, and the Board collectively to:

- discharge their duties and responsibilities under the law efficiently and effectively
- understand the business of the Group and the environment within which the Group operates so as to be able to agree with management, the objectives, goals and strategic direction to maximize shareholder value
- assess the performance of management in meeting those objectives.

The current membership of the Board and each individual voting director's background are set out in the Directors' Report.

Directors' independence

The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgement. Directors are considered to be independent if they are not a member of management and if they meet the following criteria:

- not a substantial shareholder of ACI or of a company holding more than 5% of ACI voting stock or an officer of or otherwise associated directly with a shareholder holding more than 5% of the ACI voting stock
- have not within the last 3 years been employed in an executive capacity by the Group or a controlled entity, or been a director after ceasing to hold any such employment
- have not within the last 3 years been a principal of a material professional adviser or a material consultant to the Group or a controlled entity or an employee materially associated with the service provided
- not a material supplier or customer of the Group or a controlled entity, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must not have contractual relationship with the Group or a controlled entity other than as a director of the Group
- not been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group.

Chairman and Managing Director

The Chairman is responsible for leading the Board, ensuring that Board activities are organized and efficiently conducted and for ensuring directors are properly briefed for meetings. The Managing Director is responsible for implementing the Group's strategies and policies. The Board Charter specifies that these are separate roles are not to be undertaken by the same individual. In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman and other non-executive directors meet regularly with the Executive Director to discuss strategic issues and to review the performance of senior management. Due to the size of the Company and the fact that there are only two non-executive directors it is not practical or cost effective to employ the services of an external party to review their performance. In addition, each of the non-executive directors come up for re-election at the Annual General Meeting ("AGM") every two years.

Avoidance of conflicts of interest by a director

In accordance with the *Corporations Act 2001*, any director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter.

Independent professional advice

Directors and the Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this is not unreasonably withheld.

Meetings of the board and their conduct

The Board meets whenever necessary to deal with specific matters needing attention between the scheduled meetings. The Chairman and the Managing Director establish meeting agendas to ensure adequate coverage of financial, strategic and major risk areas throughout the year. In addition to its formal meetings, the Board is encouraged to undertake regular and relevant workshops.

Directors are always encouraged to participate with a robust exchange of views and to bring their independent judgements to bear on the issues and decisions at hand. Executive management regularly attend Board meetings and are also available to be contacted by directors between meetings.

Board access to information and advice

All directors have unrestricted access to company records and information and receive regular detailed financial and operational reports from executive management to enable them to carry out their duties. The Group's Company Secretary provides directors with ongoing guidance on issues such as corporate governance, ACI Group's Constitution and the law. The Chairman and other non-executive directors also regularly consult with the Executive Director and other senior management may consult with, and request additional information from, any ACI Group employee. The Board collectively, and each Director individually, has the right to seek independent professional advice at ACI's expense to help them carry out their responsibilities. While the Chairman's prior approval is needed, it may not be unreasonably withheld and, in its absence, Board approval may be sought.

Term of office

The Company's Constitution specifies that all directors (with the exception of the Managing Director) must retire from office no later than the third AGM following their last election. Where eligible, a director may stand for re-election.

In addition, the Board seeks to ensure that the membership at any point in time represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective.

Audit, Finance, Risk and Compliance Committee (AFRCC or the Committee)

The AFRCC has a documented charter, approved by the Board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The AFRCC consists of the following directors:

- Alan Jones (Non-executive Chairman)
- Peter Curry (Independent Director).

The AFRCC comprises two members, all of whom are non-executive directors.

The external auditors and the Managing Director are invited to AFRCC meetings at the discretion of the Committee. The Committee meets a minimum of two times during the year. The Managing Director declared in writing to the Board that the Company's financial reports for the year ended 30 June 2021 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually and is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

The AFRCC members have appropriate financial expertise and all members have a working knowledge of the financial services industry in which the Group operates.

The AFRCC operates in accordance with a separate charter. The main responsibilities of the Committee are to:

- review, assess and approve the annual report and the half-year financial report
- assist the Board in reviewing the effectiveness of the organisation's internal control
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditors on an ongoing basis
- review and monitor related party transactions and assess their propriety
- monitor the current and forecast liquidity and cash flow of the Group
- report to the Board on matters relevant to the roles and responsibilities of the AFRCC

In fulfilling its responsibilities, the AFRCC:

- receives regular reports from management and external auditors
- meets with the external auditors at least twice a year or more frequently if necessary

The AFRCC has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party. The Committee's charter is reviewed annually and updated as necessary. The charter is available to shareholders on request.

Remuneration committee

The role of the Remuneration Committee is to ensure that the remuneration policies and outcomes are an appropriate balance between the ACI shareholders and rewarding and motivating executives and employees in order to achieve their long term commitment to the Company. The remuneration of senior management consists of base remuneration, allowances and superannuation.

The Remuneration Committee consists of the following directors:

- Alan Jones (Non-executive Chairman)
- Peter Curry (Independent Director)

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, Senior Executives and Non-executive Directors.

Each member of the Senior Management team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights and responsibilities.

Senior management remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to personal and corporate performance, contribution to long-term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages may include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors.

Non-executive directors are paid an annual fee for their service on the Board and committees which is determined by the Remuneration Committee. Total remuneration for all non-executive directors is not to exceed $400,000 per annum. The non-executive directors' total fees for the year were $65,700; these fees include statutory superannuation. Non-executive directors do not receive bonuses.

Risk management

Oversight of the risk management system

Management has established and implemented a fully comprehensive formal Risk Management System for assessing, monitoring and managing operational, financial reporting and compliance risks for the Group.

External auditors

The Group's policy is to appoint external auditors who demonstrate quality and independence. The performance of the external auditors is reviewed annually. BDO was appointed as the external auditor in 23 November 2012 in response to an expression of interest. It is BDO's policy to rotate engagement partners on listed company audits in accordance with the requirements of the Corporations Act. The current engagement partner has been the engagement partner since December 2017 and therefore rotation of the engagement partner will be required for the year ended 30 June 2023.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in note 20 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the AFRCC. For more information please review the Group's Audit Independence Policy.

Code of conduct

The Group has developed a Code of Conduct (Code) which has been endorsed by the Board and applies to all directors and employees of the Group. The Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of both the law and Group policies.

A director or employee of the Company may only deal in the Company's securities if that director or employee is not in possession of information that he or she knows or ought reasonably to know is unpublished price sensitive information in relation to the Company's securities and the prior clearance of the Board has been provided.

In addition to obtaining prior clearance of the Board, a director or employee who deals in the Company's securities must immediately notify the Board of the details of the dealing.

The Company must keep a register of all dealings in its securities by directors or employees that are notified to it.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Diversity Statement

The Company welcomes gender diversity and is committed to equality at all levels of the organisation but the Company does not have a formal policy in relation to gender diversity.

The Company's policy is to hire and promote staff on the basis of finding the person best qualified to fill the available position. The technical skill requirements of the Company's engineering and manufacturing operations results in an employee gender mix with a male bias even though women occupy senior roles in the support operations of finance, accounting, engineering and marketing. As the Group operations continue to expand, there will be greater opportunities available for the appointment and advancement of women within the organisation.

There are presently no female directors on the Board of three members.

Continuous disclosure and shareholder communication

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters on a timely basis that may have a material effect on the price of the Company's securities, ensuring the matters are factual and expressed in a clear and factual way, notifying the NSX, posting them on the Company's website, and issuing media releases. The Company Secretary is accountable for ensuring adherence to the Continuous Disclosure Policy. Details of the policy are available on the Company's website www.airchange.com.au.

Consistent with the Continuous Disclosure Policy, ACI is committed to communicating with shareholders in an effective and timely manner, so as to provide them with ready access to information relating to the Company.

Shareholders are encouraged to attend and participate in general meetings of the Company. Shareholders are provided with details of any proposed meetings well in advance of the relevant dates. The external auditor will attend any Annual General Meeting and be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue	4	**21,114,210**	19,951,537
Other income	5	**536,654**	541,032
Changes in inventories of finished goods		**(19,414)**	645,438
Raw materials and consumables used		**(13,079,212)**	(12,044,144)
Occupancy costs		**(242,297)**	(535,131)
Employee benefits expenses		**(5,839,319)**	(5,763,041)
Depreciation of plant and equipment		**(145,094)**	(130,884)
Depreciation of right-of-use assets		**(656,877)**	(508,688)
Amortisation of patents		**(250,073)**	(249,245)
Other expenses		**(1,142,236)**	(1,124,890)
Finance costs		**(187,724)**	(171,918)
Contingent consideration written back	27	**-**	162,579
Profit before income tax	6	**88,618**	**772,645**
Income tax (expense)/ benefit	7	**(20,359)**	24,901
Profit after tax for the year		**68,259**	**797,546**
Net profit for the year		**68,259**	**797,546**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	19	**89,393**	33,989
Other comprehensive income for the year, net of tax		**89,393**	33,989
Total comprehensive income for the year attributable to members of Air Change International Limited		**157,652**	**831,535**
Earnings per share attributable to members of Air Change International Limited			
Basic earnings per share	24	**0.004**	0.045
Diluted earnings per share	24	**0.004**	0.045

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position
as at 30 June 2021

	Note	2021 $	2020 $
Current assets			
Cash & cash equivalents	8	**275,555**	51,337
Trade & other receivables	9(a)	**3,540,854**	3,155,048
Inventories	10	**3,237,103**	3,256,517
Total current assets		**7,053,512**	**6,462,902**
Non-current assets			
Plant, equipment and leasehold improvements	11	**339,020**	363,801
Right-of-use assets	12	**1,079,371**	1,478,711
Rental bonds & term deposit		**61,267**	71,486
Intangible assets	13	**2,984,172**	3,233,745
Deferred tax assets	14	**378,867**	398,148
Total non-current assets		**4,842,697**	**5,545,891**
TOTAL ASSETS		**11,896,209**	**12,008,793**
Current liabilities			
Trade & other payables	15	**2,252,999**	2,246,289
Borrowings	26	**244,305**	295,792
Lease liabilities	16	**679,345**	711,609
Employee entitlements	17	**1,096,464**	965,607
Total current liabilities		**4,273,113**	**4,219,297**
Non-current liabilities			
Borrowings	26	**15,019**	-
Lease liabilities	16	**477,127**	826,194
Employee entitlements	17	**69,933**	59,937
Total non-current liabilities		**562,079**	**886,131**
TOTAL LIABILITIES		**4,835,192**	**5,105,428**
Net Assets		**7,061,017**	**6,903,365**
Equity			
Contributed equity	18	**7,104,700**	7,104,700
Reserves	19	**104,269**	14,876
Retained earnings		**(147,952)**	(216,211)
TOTAL EQUITY		**7,061,017**	**6,903,365**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity for the year ended 30 June 2021

	Notes	Contributed equity $	Reserves $	Retained earnings $	Total $
Balance at 1 July 2019		7,104,700	(19,113)	(1,013,757)	6,071,830
Profit for the year		-	-	797,546	797,546
Other comprehensive income	19	-	33,989	-	33,989
Total comprehensive income for the year		**-**	**33,989**	**797,546**	**831,535**
Balance at 30 June 2020		7,104,700	14,876	(216,211)	6,903,365
Balance at 1 July 2020		**7,104,700**	**14,876**	**(216,211)**	**6,903,365**
Profit for the year		-	-	68,259	68,259
Other comprehensive income	19	-	89,393	-	89,393
Total comprehensive income for the year		**-**	**89,393**	**68,259**	**157,652**
Balance at 30 June 2021		**7,104,700**	**104,269**	**(147,952)**	**7,061,017**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows
for the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		**23,103,292**	23,527,625
Payments to suppliers, employees and creditors		**(21,834,564)**	(21,954,929)
Interest received		**1,422**	3,265
Finance costs		**(180,684)**	(163,067)
Income tax paid		**(536)**	-
Net cash inflow from operating activities	23	**1,088,930**	**1,412,894**
Cash flows from investing activities			
Contingent consideration payment	27	**(74,421)**	(32,404)
Purchase of plant, equipment & leasehold improvements	11	**(105,381)**	(55,409)
Payment for patents & intellectual property	13	**(500)**	(26,169)
Proceeds on disposal of plant & equipment		**21,371**	1,636
Net cash (outflow) from investing activities		**(158,931)**	**(112,346)**
Cash flows from financing activities			
Proceeds from borrowings		**20,074,000**	18,242,900
Repayment of borrowings		**(20,143,943)**	(19,091,550)
Payment of lease liabilities		**(636,379)**	(459,145)
Net cash (outflow) from financing activities		**(706,322)**	**(1,307,795)**
Net increase/ (decrease) in cash held		**223,677**	**(7,247)**
Cash & cash equivalents at the beginning of the financial year		**51,337**	**58,584**
Exchange differences on cash & cash equivalents		**541**	**-**
Cash & cash equivalents at the end of the financial year	8	**275,555**	**51,337**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

These financial statements are the consolidated financial statements for the Group consisting of Air Change International Limited and its subsidiaries. The financial statements are presented in Australian dollars.

Air Change International Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

2 Ashford Avenue
Milperra NSW 2214

The financial statements were authorised for issue by the directors on 7 September 2021. The directors have the power to amend and reissue the financial statements.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Air Change International Limited and its subsidiaries.

Air Change International Limited is a for profit entity for the purposes of preparing the financial statements.

(a) Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*.

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board.

Historical cost convention

These financial statements have been prepared on an accrual basis and are based on the historical cost convention.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Air Change International Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended. Air Change International Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

(b) Principles of consolidation (continued)

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Segment reporting

The Group is reported as one operating segment comprising heating, ventilation & air conditioning to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") other than where an entity's operation is an extension of another group entity and it does not operate with any degree of autonomy. The consolidated financial statements are presented in Australian dollars ("AUD"), which is the functional and presentation currency of Air Change International Limited.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(iii) Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Income and expenses have been translated into AUD at the rate applicable at the transaction date. Exchange differences are charged/ credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

(a) Bespoke goods made to order

The Group manufactures and sells bespoke heating, cooling and ventilation products. Revenue from the sales of bespoke goods are recognised at the point in time when the manufacturing of the goods is completed, tested and ready for delivery.

(e) Revenue recognition (continued)

(b) Goods stocked for sale.

The Group designs, sources and sells generic heating, cooling and ventilation products that it carries as stock for immediate sale. Revenue from the sales of these goods is recognised at the point in time when the customer accepts delivery of the goods and may include bill and hold arrangements.

(ii) Rendering of services

The Group derives revenues from the delivery, commissioning and after-sales service of heating, cooling and ventilation products. Receipts for those services are initially deferred, included in other liabilities and are recognised as revenue over time as the service is performed.

(f) Income tax

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income or loss based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit or taxable profit or loss.

Deferred income tax is determined by using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and the tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

Air Change International Limited ("the Head Entity") and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Borrowings are shown within borrowings in current liabilities on the statement of financial position.

(h) Trade receivables

Trade receivables are recognised initially at invoiced value less allowance for expected credit losses. Trade receivables are generally due for settlement within 60 days. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial

The amount of the expected credit loss is recognised in the profit or loss within impairment of assets. When a trade receivable for which an expected credit loss allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against impairment of assets in the profit or loss.

(i) Government grants

Grants including refundable R&D tax incentives from the government are recognised as received or at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

(j) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Plant and equipment

Plant, equipment, furniture, fittings and leasehold improvements are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. All repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Plant, equipment, furniture, fittings and leasehold improvements are depreciated over a 2 to 15 year period depending on their estimated life using straight line method as appropriate. The assets' residual values and useful lives are reviewed and if appropriate adjusted at each reporting date.

The asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(l) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received. Right of use assets are depreciated on a straight-line basis over the period of the lease. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under such operating leases (net of any incentives received from the Lessor) are charged to the profit or loss on a straight line basis over the period of the lease.

(m) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Patents

Patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortization method or period. Amortisation is calculated based on projected future sales method to allocate the cost of the patents over their remaining estimated useful lives. The majority of patents have expired at reporting date.

(iii) Agency Agreements and Design & Intellectual Property

These items have an indefinite useful life and are carried at cost less any impairment loss.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(o) Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Other than the amount payable later than 12 months in respect of an item of plant, all borrowings are current as reflected in the accounts at reporting date.

(p) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments and variable lease payments that depend on an index or a rate.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in the index or a rate use and lease term. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(q) Finance costs

Finance costs in relation to borrowings are expensed.

(r) Employee entitlements

(i) Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit cost method. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefits obligations

Contributions to a defined contribution fund are recognised as an expense as they become payable.

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of the new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit and loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority, is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of the cash flows arising from investing or financing activities which are recoverable from or payable to the taxation authority are presented as operating cash flow.

(v) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(w) Research and Development

Research and development costs are expensed as incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably.

(x) Parent entity financial information

The financial information for the parent entity, Air Change International Limited, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries are accounted for at cost in the financial statements of Air Change International Limited.

(y) New, revised or amended Accounting Standards or Interpretation adopted

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the 'Australian Accounting Standards Board' (AASB) that are mandatory for the current reporting period.

(z) New accounting standards issued but not yet effective and not been adopted early by the Group

The AASB has issued a number of new and amended Accounting Standards and Interpretations but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out by the Executive Team.

The Group and the parent entity hold the following financial instruments:

	2021 $	2020 $
Financial assets		
Cash and cash equivalents	**275,555**	51,337
Trade and other receivables	**3,429,569**	3,052,734
	3,705,124	3,104,071
Financial liabilities		
Current		
Trade & other payables	**2,252,999**	2,246,289
Borrowings	**244,305**	295,792
Lease liabilities	**679,345**	711,609
	3,176,649	3,253,690
Non-current		
Borrowings	**15,019**	-
Lease liabilities	**477,127**	826,194
	492,146	826,194

(a) Market risk

(i) Foreign currency risk

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Air Change International Limited. At the date of this report, the Group has exposure to Singapore dollars, US dollars and Malaysian Ringgit in respect of financial assets. Based on the financial instruments held at 30 June 2021, had the Australian dollar weakened/ strengthened by 10% (2020: 10%) against these currencies with all other variables held constant, the impact on the profit would have been $3,573 higher/ $3,176 lower (2020: $9,917 higher/ $8,467 lower), mainly as a result of foreign exchange gains/ losses on translation of these foreign currencies denominated financial instruments. The percentage of 10% has been determined based on the market rate movements in exchange rates in the previous 12 months.

(ii) Price risk

The Group is not exposed to equity securities price risk or to commodity price risk.

(iii) Interest rate risk

The Group has a Debtors Finance Facility which has an interest rate that is the 30 day BBSY rate plus a fixed margin. The interest rate risk of this facility is shown in the sensitivity analysis below.

Group sensitivity

During the year ended 30 June 2021, if the average 30 day BBSY interest rate had changed by -/+ 50 basis points from the actual interest rates incurred within the year, with all other variables held constant, the impact on the profit/loss would have been $3,030 higher/lower (2020: $3,021). In respect of the trade receivables and trade payables there would be no impact on the net profit/loss of a +/- 50 basis points change in interest rates (2020: nil). In respect of cash on deposit, the impact on the profit/loss of a +/- 50 basis points change in interest rates would have been immaterial as the average cash balance on deposit is immaterial (2020: nil).

2. Financial risk management (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents and outstanding receivables. Cash is held with reputable financial institutions with high quality external credit ratings. Senior management managed the risk of impairment of receivables by reviewing credit limits, undertaking external credit checks and use of credit insurance.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group had access to a debtor financing facility of $2,500,000 (2020: $2,500,000). This facility may be drawn at any time and maybe terminated by either party with 90 days notice (note 26).

Maturities of financial liabilities

The tables below analyze the Group's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Interest payable on the loan has been disclosed in the table below.

Group – at 30 June 2021	Less than 4 months	4-6 months	6-12 months	Between 1 and 5 years	Total contractual cash flows	Carrying amount
Non derivatives						
Trade & other payables	1,957,218	280,862	14,919	-	2,252,999	2,252,999
Borrowings	237,010	1,780	5,515	15,019	259,324	259,324
Lease liabilities	236,771	69,813	372,761	477,127	1,156,472	1,156,472
Total non-derivative	**2,430,999**	**352,455**	**393,195**	**492,146**	**3,668,795**	**3,668,795**

Group – at 30 June 2020	Less than 4 months	4-6 months	6-12 months	Between 1 and 5 years	Total contractual cash flows	Carrying amount
Non derivatives						
Trade & other payables	1,951,045	280,684	14,560	-	2,246,289	2,246,289
Borrowings	295,792	-	-	-	295,792	295,792
Lease liabilities	246,109	75,371	390,129	826,194	1,537,803	1,537,803
Total non-derivative	2,492,946	356,055	404,689	826,194	4,079,884	4,079,884

Fair value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Trade and other payables include an amount of $nil (2020: $74,421) in respect of contingent consideration payable in respect of a past acquisition as detailed in note 27.

This is a level 3 financial liability.

The carrying value of trade receivables and trade payables is assumed to approximate their fair values due to their short term nature.

3. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.
The following are significant management judgements in applying the accounting policies of the Group that may have a significant effect of the financial statements.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(m)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

4. Revenue

	2021 $	2020 $
Sales revenue		
Sale of goods	21,061,029	19,788,931
Services	53,181	162,606
Total revenue	**21,114,210**	19,951,537

5. Other income

	2021 $	2020 $
Interest	1,422	3,265
Government (note (a))	400,131	481,248
Other	128,554	54,883
Net gain on disposal of plant and equipment	6,547	1,636
Total other income	**536,654**	541,032

(a) Government

In 2021 and 2020, this primarily consisted of R&D refundable tax offset of $192,033 (2020: $267,271), export market development grant of $65,658 (2020: $nil) and cash flow boost of $110,522 (2020: $184,204).

6. Expenses

	2021 $	2020 $
Profit before income tax includes the following specific expenses:		
Lease rental payments	44,351	316,841
Defined contribution superannuation payments	420,103	429,221
Net foreign exchange loss	101,709	63,142
Doubtful debt expense	-	67,122

7. Income tax expense/ (benefit)

(a) Income tax expense/ (benefit)

	2021 $	2020 $
Current tax (benefit)/ expense	(57,268)	91,133
Deferred tax – origination and reversal of temporary differences	19,281	(25,445)
Current year income tax – overseas entity	1,078	544
Benefit of tax losses previously not recognised	-	(122,564)
Current year tax losses not recognised	57,268	31,431
Aggregate current income tax expense/ (benefit)	20,359	(24,901)
Deferred tax included in income tax expense comprises:		
Decrease/ (increase) in deferred tax assets	19,281	(25,445)
Deferred tax – origination and reversal of temporary differences	19,281	(25,445)

(b) Reconciliation of effective tax rate

	2021 $	2020 $
Profit before income tax expense	88,618	772,645
Income tax calculated at 26% (2020 – 27.5%)	23,041	212,477
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research & development refundable tax offset	(49,929)	(73,500)
Cash flow boost	(28,736)	(50,656)
Contingent consideration	-	(44,709)
Other	27,760	24,445
Subtotal	**(27,864)**	68,057
Previously unrecognised tax losses now utilised to reduce current tax expense	-	(122,564)
Net taxable losses not recognised	57,268	31,431
Adjustments for overclaimed of prior year tax losses	5,561	-
Current year income tax – overseas entity	1,078	544
Temporary differences not recognised	146	2,799
Recoupment of foreign subsidiaries tax losses not previously recognised	(52,397)	(5,168)
Change in tax rates	36,567	-
Income tax expense/ (benefit)	**20,359**	(24,901)

8. Cash and cash equivalents

	2021 $	2020 $
Cash at bank and on hand	275,555	51,337
	275,555	51,337

The Group's exposure to interest rate risk is discussed in note 2.

9. Trade and other receivables

(a) Current assets

	2021 $	2020 $
Trade receivables	3,248,166	2,777,232
Less: Allowance for expected credit losses	(80,000)	(80,000)
Net trade receivables	3,168,166	2,697,232
Rental and security bonds	-	2,000
Term deposits in respect of guarantees	62,089	229,081
Term deposit	165,000	-
Other debtors	34,315	124,421
Prepayments	111,284	102,314
	3,540,854	3,155,048

Allowance for expected credit losses

The Group retains an allowance of $80,000 (2020: $80,000) in respect of future expected credit losses.

(b) Past due not impaired trade receivables

As at 30 June 2021 there were current trade receivables of the Group with a nominal value of $141,417 that were past due (2020: $42,470) but not impaired. The amount of the allowance was $80,000 (2020: $80,000).

The Group does not hold any collateral in relation to these receivables but insures these receivables against insolvency of the debtor.

The ageing of these receivables is as follows*:*

	2021 $	2020 $
Not past due	3,026,749	2,654,762
Past due 2-3 months	95,551	41,844
Past due over 3 months	45,866	626
Total	**3,168,166**	2,697,232

Movements in the allowance for expected credit losses are as follows:

	2021 $	2020 $
At 1 July	80,000	70,279
Provision recognised during the year	-	68,109
Receivables written off during the year	-	(58,388)
Balance at 30 June	**80,000**	80,000

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amounts approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

The creation and release of the allowance for impaired receivables has been included in 'other expenses' in the profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

10. Inventories

	2021 $	2020 $
Current Assets		
Raw materials	1,531,694	1,174,778
Work in progress	952,520	914,122
Finished goods	603,608	665,851
Stock in transit	149,281	501,766
	3,237,103	3,256,517

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2021 amounted to $34,929 (30 June 2020: $nil).

11. Plant, equipment and leasehold improvements

	Plant & Equipment	Furniture & Fixtures	Leasehold Improvements	Total
At 1 July 2019	**$**	**$**	**$**	**$**
Cost	1,495,203	132,627	201,313	1,829,143
Accumulated depreciation	(1,126,555)	(84,859)	(177,806)	(1,389,220)
Net book amount	368,648	47,768	23,507	439,923
Year ended 30 June 2020				
Opening net book amount	368,648	47,768	23,507	439,923
Additions	4,923	520	49,966	55,409
Depreciation charge	(104,058)	(11,000)	(15,826)	(130,884)
Net exchange difference	(412)	(114)	(121)	(647)
Closing net book amount	269,101	37,174	57,526	363,801
At 30 June 2020				
Cost	1,472,039	130,460	250,969	1,853,468
Accumulated depreciation	(1,202,938)	(93,286)	(193,443)	(1,489,667)
Net book amount	**269,101**	**37,174**	**57,526**	**363,801**
Year ended 30 June 2021				
Opening net book amount	269,101	37,174	57,526	363,801
Additions**	124,612	4,413	20,295	149,320
Disposals	(17,048)	(6,492)	-	(23,540)
Depreciation charge	(98,105)	(8,861)	(38,128)	(145,094)
Net exchange difference	(4,711)	(387)	(369)	(5,467)
Closing net book amount	273,849	25,847	39,324	339,020
At 30 June 2021				
Cost	1,266,976	110,276	269,579	1,646,831
Accumulated depreciation	(993,127)	(84,429)	(230,255)	(1,307,811)
Net book amount	**273,849**	**25,847**	**39,324**	**339,020**

** In 2021, there were transfers from inventory of $14,182 and addition through chattel mortgage of $29,757 (2020: $nil).

12. Right-of-use assets

	2021	2020
	$	$
Properties – right-of-use	1,975,542	1,988,097
Accumulated depreciation	(896,171)	(508,688)
Net exchange difference	-	(698)
Net book amount	**1,079,371**	1,478,711

Additions to the right-of-use assets during the year were $424,118 (2020 - $1,988,097).

The Group leases various properties and the rental contracts are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease payments are discounted using the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

13. Intangible assets

Year ended 30 June 2020	Agency Agreements $	Design & Intellectual Property $	Goodwill $	Patents $	Total $
Carrying value at 1 July 2019	20,000	71,460	2,817,222	548,139	3,456,821
Additions	-		-	26,169	26,169
Amortisation charge	-	-	-	(249,245)	(249,245)
Carrying value at 30 June 2020	20,000	71,460	2,817,222	325,063	3,233,745
At 30 June 2020					
Cost	20,000	71,460	2,817,222	3,615,965	6,524,647
Accumulated amortisation	-	-	-	(3,290,902)	(3,290,902)
Net book amount	**20,000**	**71,460**	**2,817,222**	**325,063**	**3,233,745**

Year ended 30 June 2021	Agency Agreements $	Design & Intellectual Property $	Goodwill $	Patents $	Total $
Carrying value at 1 July 2020	20,000	71,460	2,817,222	325,063	3,233,745
Additions	-	-	-	500	500
Amortisation charge	-	-	-	(250,073)	(250,073)
Carrying value at 30 June 2021	20,000	71,460	2,817,222	75,490	2,984,172
At 30 June 2021					
Cost	20,000	71,460	2,817,222	3,616,465	6,525,147
Accumulated amortisation	-	-	-	(3,540,975)	(3,540,975)
Net book amount	**20,000**	**71,460**	**2,817,222**	**75,490**	**2,984,172**

Impairment tests for intangible assets

Intangibles are allocated to the Group's cash generating unit (CGU) identified according to operating segment.

A segment level summary of the intangible assets allocation is presented below for the year ended 30 June 2021.

	Heating Cooling & Ventilation $
Year ended 30 June 2021	
Goodwill and intangibles	**2,908,682**
Patents	**75,490**

The recoverable amount of a CGU is determined based on value in use calculations. These calculations are a discount of future projected operational cash flows using a pre-tax discount rate of 11.86% (2020– 11.66%), a 3% per annum projected revenue growth rate and 3% per annum rate increase in overhead costs.

Goodwill, intangibles and patent carrying values are tested using a net present value calculation using the above assumptions and an enterprise value method calculation. The net present value model uses a 1 year budget and a 4 year forecast with a terminal value based on past experience of three and half times estimated EBITDA at year five. The enterprise value model assumes a four and a half times estimated EBITDA for the next year.

The growth rate is based on best estimates of revenue in preparing the 1 year budget and the discount rate reflects the market and interest rate risks.

The pre-tax discount rate value would need to increase by 25.6 percent or the gross margin decrease by 3.5 percent or the revenue to decrease by 3.5 percent before the estimated recoverable amount approximates the carrying amount.

14. Deferred tax assets

	2021 $	2020 $
The balance comprises temporary differences attributable to:		
Deferred tax assets / (liabilities)		
Employee benefits	287,358	278,418
Tax losses	58,249	64,074
Other	77,263	72,506
Depreciation and amortisation	(21,503)	7,900
Intangibles	(22,500)	(24,750)
Total deferred tax assets at 25% (2020 - 27.5%)	**378,867**	398,148
Deferred tax assets expected to be recovered within 12 months at 25% (2020 - 27.5%)	**325,635**	342,341
Deferred tax assets expected to be recovered after more than 12 months at 25% (2020 - 27.5%)	**53,232**	55,807

14. Deferred tax assets (continued)

Movements	Employee Benefits	Tax Losses	Other	Depreciation amortisation	Intangibles	Total
	$	$	$	$	$	$
At 1 July 2019	**253,956**	**64,074**	**50,468**	**28,955**	**(24,750)**	**372,703**
(Charged)/credited						
- to profit or loss	24,462	-	22,038	(21,055)	-	25,445
- to other comprehensive income	-	-	-	-	-	-
At 30 June 2020 at 27.5%	**278,418**	**64,074**	**72,506**	**7,900**	**(24,750)**	**398,148**
(Charged)/credited						
- to profit or loss	35,619	-	11,862	(30,195)	-	17,286
- to other comprehensive income	-	-	-	-	-	-
Change in tax rate to 25%	(26,679)	(5,825)	(7,105)	792	2,250	(36,567)
At 30 June 2021 at 25%	**287,358**	**58,249**	**77,263**	**(21,503)**	**(22,500)**	**378,867**

Tax Losses Not Recognised	**2021**		**2020**
Unused tax losses for which no deferred tax asset has been recognised	**$**		**$**
Opening balance	**4,628,912**		5,494,530
Current recoupment of tax losses not previously recognised	**-**		(445,689)
Current tax losses not recognised	**220,264**		-
Subtotal	**4,849,176**	^	5,048,841
R&D accounting (expenditure) per income tax return	**-**		(441,455)
Other adjustments per income tax return	**-**		21,526
Closing balance	**4,849,176**	^^	4,628,912
Potential tax benefit at 25% (2020 - 27.5%)	**1,212,294**		1,272,951

Controlled Foreign Companies (CFC) losses Not Recognised	**2021**		**2020**
Unused CFC losses for which no deferred tax asset has been recognised	**$**		**$**
Opening balance	**534,475**		443,366
Current recoupment of CFC loss not previously recognised	**(201,524)**		(18,791)
Current CFC losses not recognised	**-**		114,294
Subtotal	**332,951**	^	538,869
Other adjustments per income tax return	**-**		(4,394)
Closing balance	**332,951**	^^	534,475
Potential tax benefit at 25% (2020 - 27.5%)	**83,238**		146,981

^ Balance per 2020 financial statements
^^ Adjusted closing balance based on lodged 2020 income tax return

15. Trade & other payables

	2021 $	2020 $
Current		
Trade payables	1,406,269	1,375,074
Contingent consideration (note 27)	-	74,421
Other payables	846,730	796,794
	2,252,999	2,246,289

16. Lease liabilities

	2021 $	2020 $
Current		
Lease liabilities	679,345	711,609
	679,345	711,609
Non-current		
Lease liabilities	477,127	826,194
	477,127	826,194

17. Employee entitlements

	2021 $	2020 $
Current		
Employee entitlements (note (a))	1,096,464	965,607
	1,096,464	965,607
Non-current		
Employee entitlements – long service leave	**69,933**	59,937

(a) Amounts not expected to be settled within the next 12 months

The entire amount of the annual leave provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations and it is expected to be paid within the next 12 months.

18. Contributed equity

	2021 Number	2020 Number	2021 $	2020 $
Share Capital				
Ordinary shares, fully paid	**17,714,009**	17,714,009	**7,104,700**	7,104,700

Movements in ordinary share capital

Date	Details	Number of shares	$
01 July 2019	Opening balance	17,714,009	7,104,700
30 June 2020	Movement during year	-	-
30 June 2020	Balance	17,714,009	7,104,700
30 June 2021	Movement during year	-	-
30 June 2021	Balance	**17,714,009**	**7,104,700**

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid up on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Options

At reporting date, there were no listed and unlisted options (2020: Nil) on issue.

(c) Capital risk management

The Group manages capital to safeguard its ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders. It aims to maintain an optimal capital structure to reduce the overall cost of capital having regard to the operational and market risks.

The Group’s debt and capital include ordinary shares.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, increase borrowings or sell assets.

There are no externally imposed capital requirements on the Group.

19. Reserves

	Share Option $	Foreign Currency Translation $	Total Reserves $
At 1 July 2019	**89,960**	**(109,073)**	**(19,113)**
Exchange differences on translating foreign operations	-	33,989	33,989
At 30 June 2020	**89,960**	**(75,084)**	**14,876**
At 1 July 2020	**89,960**	**(75,084)**	**14,876**
Exchange differences on translating foreign operations	-	89,393	89,393
At 30 June 2021	**89,960**	**14,309**	**104,269**

20. Remuneration of auditors

	2021 $	2020 $
During the year the following fees were paid or payable for services provided by the auditor of the parent entity:		
BDO Audit Pty Ltd		
Audit and other assurance services		
Audit and review of financial statements	81,239	77,903
Other services		
R&D tax concession services	10,595	12,000
	91,834	89,903

21. Performance Guarantees

Performance guarantees supported by term deposits at balance date were:

(a) property rental agreements $nil (2020: $165,000)

(b) commercial credit card facility $30,000 (2020: $30,000); and

(c) operating licences $32,089 (2020: $34,081)

22. Related party information

(a) Details of directors related party information is as follows:

During the year 2021, there was no transaction between any directors and members of the Group (2020 – Nil).

(b) Key management personnel disclosure

Aggregate compensation	2021 $	2020 $
Short term employee benefits	452,513	451,982
Post employment benefits	30,700	30,510
Long term benefits	6,328	6,328
	489,541	488,820

Details of directors' remuneration are set out in the Directors' Report. The Company does not pay directors' retirement benefits other than the Company's superannuation contribution for the superannuation guarantee.

23. Reconciliation of cash flows from operating activities

	2021 $	2020 $
Profit after income tax	68,259	797,546
Depreciation and amortisation	1,052,044	888,817
Doubtful debts	-	67,122
Net exchange differences	97,383	37,004
Net loss/ (gain) on disposal of non-current assets	2,169	(1,636)
Increase in finance costs	7,040	8,851
(Gain) on lease modification	(6,547)	-
Changes in assets and liabilities		
(Increase)/ decrease in trade receivables	(470,934)	864,863
Decrease in other receivables & prepayments	20,059	291,327
(Increase) in guarantee deposits	-	(11,514)
Decrease/ (increase) in inventories	5,232	(645,438)
Decrease/ (increase) in deferred tax assets	19,281	(25,445)
Increase/ (decrease) in trade payables	31,195	(709,747)
Increase/ (decrease) in other payables	122,354	(79,682)
(Decrease) in contingent consideration	-	(162,579)
Increase in provisions	140,853	92,861
Increase in income tax provision	542	544
Net cash inflow from operating activities	**1,088,930**	1,412,894

24. Earnings per share

	2021 $	2020 $
Basic earnings per share from continuing operations	**0.004**	0.045
Diluted earnings per share from continuing operations	**0.004**	0.045

Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	**17,714,009**	17,714,009
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	**17,714,009**	17,714,009

Reconciliations of earnings used in calculating earnings per share	**$**	
Basic and diluted earnings per share		
Profit/ (loss) attributable to the ordinary equity holders of the Company:		
from continuing operations	**68,259**	797,546
Earnings used in calculating basic and diluted earnings per share	**68,259**	797,546

25. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2021 $	2020 $
Statement of financial position		
Current assets	**184,612**	423,749
Total assets	**8,041,035**	8,280,397
Current liabilities	**373,410**	343,455
Total liabilities	**383,241**	351,031
Shareholders' equity		
Issued capital	**7,104,700**	7,104,700
Reserves	**89,960**	89,960
Retained earnings	**463,134**	734,706
Total shareholders' equity	**7,657,794**	7,929,366
(Loss)/ profit for the year	**(271,571)**	407,577
Total comprehensive income for the year	**(271,571)**	407,577

25. Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

	2021	2020
	$	$
Carrying amount included in current liabilities	-	-

(c) Contingent liabilities of the parent entity

The parent entity has provided corporate guarantee and indemnity in respect of bank guarantees provided to subsidiary companies.

26. Financing Arrangements

At reporting date, the Group had the following financing facilities:

	2021	2020
Total facilities available	**$**	**$**
Debtor financing liability*	2,500,000	2,500,000
Asset finance facility	200,000	-
Indemnity/guarantee facilities	211,089	213,081
Commercial credit card facilities	30,000	30,000
	2,941,089	2,743,081
Used at the reporting date		
Debtor financing liability	233,536	295,792
Asset finance facility	33,000	-
Indemnity/guarantee facilities	32,089	199,081
Commercial credit card facilities	23,000	28,000
	321,625	522,873

*The business has a revolving facility secured against approved trade Debtors less than 90 days past due. This facility has a present limit of $2,500,000 (2020: $2,500,000) and was drawn down as required during the year ended 30th June 2021. Not all Group Debtors are covered by this facility. The interest applicable is based on the floating 30 day Bank Bill Swap rate plus a fixed margin. The facility incurred a service fee of $48,363 for the financial year (2020: $42,494). Interest paid in the financial year on the facility was $42,261 (2020: $42,502).

Security

The financing facility is secured by general security deed over the Australian Group entities assets.

27. Contingent Consideration

In 2018, the Company entered into an agreement to buy the business assets relating the manufacture and sale of Dunnair branded air conditioning products.

The consideration for this business acquisition was dependent on sales and profitability achieved during the two years after acquisition.

The year 2 earn out of $74,421 (refer note 15) was paid out to the vendor in August 2020.

Directors' declaration
for the financial year ended 30 June 2021

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and accompanying notes, are in accordance with the Corporations Act 2001 and:

    (a) comply with Australian Accounting Standards, the Corporations Regulations 2001 and with International Financial Reporting Standards issued by the International Accounting Standards Board and

    (b) give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations by the chief executive officer as required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Alan Jones

Alan Jones
Chairman

Sydney
7 September 2021

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Australia

INDEPENDENT AUDITOR'S REPORT

To the directors of Air Change International Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Air Change International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of intangible assets

Key audit matter	***How the matter was addressed in our audit***
As disclosed in Note 13, the Group held intangible assets of $2,984,172 as of 30 June 2021 (2020: $3,233,745). The recoverability of intangibles was identified as a key audit matter because of the extent of judgement involved by management in considering the recoverability of the assets as at the reporting date. This included estimates surrounding future growth rates of the business, discount rates applied to future cash flow forecasts and sensitivities of inputs and assumptions used in the net present value model and enterprise value model prepared by management.	Our audit procedures to address the key audit matter included the following: • Assessing the appropriateness of the identified CGU's. • Obtaining the Group's net present value model and analysing discounted cash flows against historical trends and future expectations. • Corroborating the assumptions for the key inputs in the net present value model such as forecast revenue, costs, discount rates and terminal growth rates. • Performing tests over the mathematical accuracy of the model and the underlying calculations. • Performing sensitivity analysis to identify the model's robustness to changes in key underlying assumptions; and • Discussing and analysing management's assessment of the recoverability of the intangibles, with specific reference to recent trading performance.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 and 13 of the Annual Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Air Change International Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO
Ryan Pollett

Ryan Pollett
Director

Sydney, 7 September 2021

Additional information required by the NSX Listing Rules clause 6.9 and not disclosed elsewhere in this report is set out below.

1. COMPOSITION OF THE GROUP

Subsidiaries	Principal place of business/ Country of Incorporation	Main Business	Percentage Owned (%) 2021	Percentage Owned (%) 2021
Air Change Pty Limited	Australia	Intermediate holding company & patent holder	100	100
Air Change Australia Pty Limited	Australia	Design, manufacture and sales of HVAC equipment	100	100
Summit Industrial Chillers Pty Limited	Australia	Sale of process cooling equipment	100	100
Air Change (SEA) Pte Limited	Singapore	Represent Air Change Group in South East Asia	100	100
Fan Coil Sales Pty Limited	Australia	Sale of air handler and fan coil	100	100
AFS Manufacturing Sdn Bhd	Malaysia	HVAC manufacturer	100	100
Dunnac Pty Limited (Established 7 March 2018)	Australia	Sale of air & water cooler packaged air conditioning systems & parts	100	100

2. HISTORICAL SUMMARY TABLE

Item	2021 $	2020 $	2019 $	2018 $	2017 $
Profit / (loss)	68,259	797,546	(460,679)	(597,057)	(1,704,577)
Assets	11,896,209	12,008,793	11,375,143	11,820,643	11,157,103
Liabilities	4,835,192	5,105,428	5,303,313	5,273,521	3,912,900

3. TEN LARGEST SHAREHOLDERS

Name	No. of Ordinary Shares Held	Percentage of Issued Shares
Sun Hung Kai Investment Services Ltd – Client a/c	4,904,277	27.69%
Mr Raymond Neil Fimeri	2,566,500	14.49%
Neilor Nominees Pty Ltd	2,233,500	12.61%
Sebsax Pty Ltd	1,625,143	9.17%
Mr Alan Jones	938,000	5.30%
DMM Investments (NSW) Pty Ltd	913,537	5.16%
HSBC Custody Nominees (Australia) Limited	762,360	4.30%
Phoenix Properties International Pty Ltd	261,087	1.47%
Estate Late Christopher Lindsay Biggins	215,530	1.22%
Mr Gregory Creighton Sproule	174,207	0.98%

4. SHAREHOLDER DISTRIBUTION TABLE

Fully paid ordinary shares

Range	Total holders	Units	% Units
1 – 1,000	440	225,798	1.27
1,001 – 5,000	183	388,835	2.20
5,001 – 10,000	29	212,948	1.20
10,001 – 100,000	44	1,374,798	7.76
100,001 – 9,999,999,999	17	15,511,630	87.57
	713	**17,714,009**	**100**